

Businessweek | Finance

# How to Steal a House

When Arash Missaghi was murdered in suburban Toronto last year, his killer accused him of swiping properties and ruining his investors' lives.

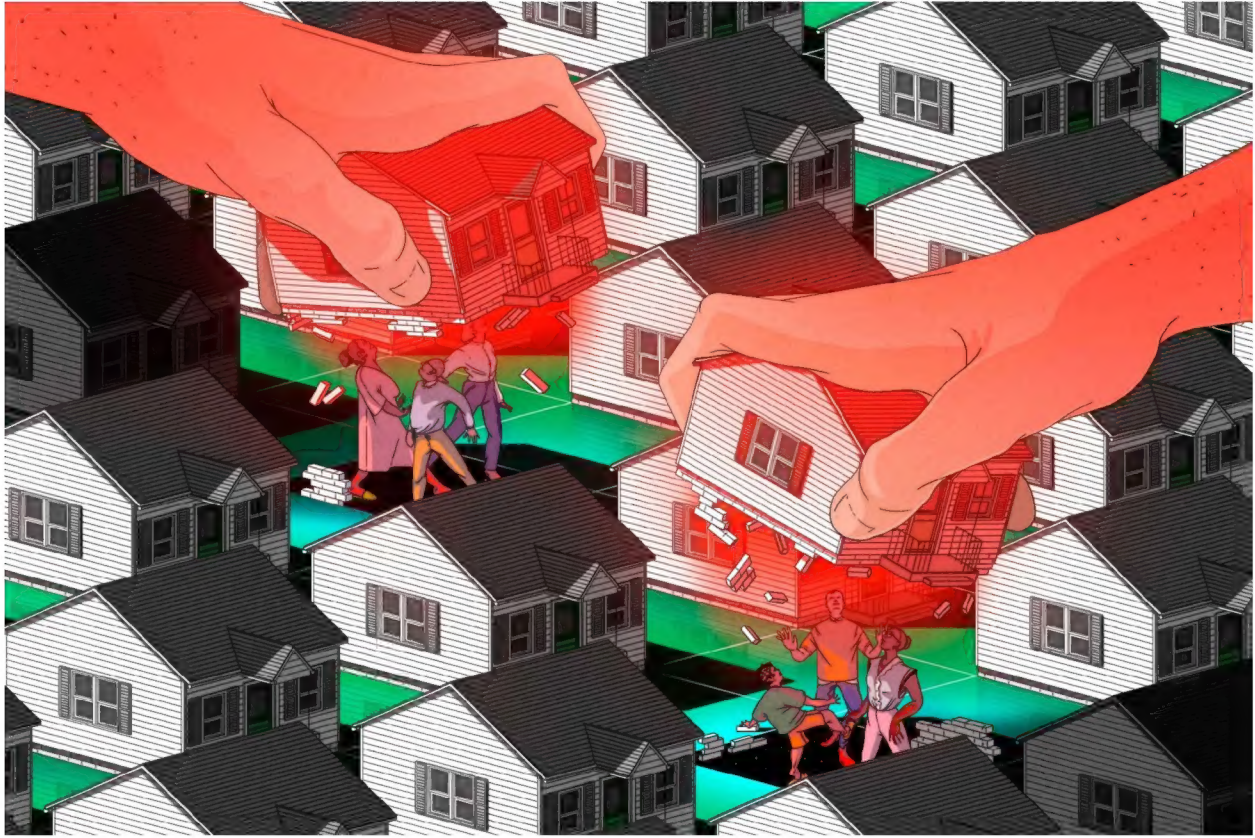


Illustration: Carolina Moscoso for Bloomberg Businessweek

By Ari Altstedter

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Handguns and assault rifles aren't easy to get in Canada. So when Alan Kats decided to kill two people, he went to the local Bass Pro shop to examine its selection of hunting firearms. He settled on a Winchester SXP Defender shotgun, designed for speedy pump action between shots, and bought four boxes of ammunition meant to stop large game.

On a warm June afternoon, he found the people he was looking for at a sparsely populated office building in the Toronto suburb of North York. Shepherding both into the building's marble lobby, he fired a shot to let them know he was serious, then demanded the return of the C\$1.28 million (\$936,000) he and his wife had given them.

“I swear on my mother’s grave I will pay you back, just put the gun down,” said a male voice, according to a witness who was hiding down the hall.

“How are you going to pay me?” Kats asked.

“I will sell my house,” a female voice said. Then the witness, Shahrokh Biniaz fled out the back door and called the police. While Biniaz was waiting outside he heard four shots in quick succession, a pause, then a fifth. After the police entered the building, he overheard one officer say to another: “He shot himself as well.”

The events leading up to that violent day in 2024 had been set in motion a year and a half earlier, when Kats and his wife, Alisa Pogorelovsky, decided to invest in private mortgages. The couple, both immigrants to Canada, ran a home renovation business that was working them off their feet thanks to a surge in demand during the Covid-19 pandemic. Finding some investment income seemed attractive, and they happened to have a ready way to raise capital. The house they lived in with their two kids was mortgage-free and, thanks to Canada’s quarter-century-long real estate boom, worth a lot of money. So they pursued a popular investment strategy: borrowing against their home to invest in other real estate.

A wealthy friend recommended that, rather than buying another place and dealing with the hassle of managing actual property, they try funding private mortgages instead. That would mean using their bank loan to lend directly to borrowers who might not be able to get one themselves. The couple could then collect interest payouts of 10% or more, secure in the prospect that they could seize the property if the borrower fell behind on their payments, just like a bank could. And the high interest rates would easily cover the installments on their bank loan, plus provide a healthy return.

Their friend put them in touch with Samira Yousefi, a mortgage broker specializing in such deals. In October 2022 she helped them borrow C\$1.375 million against their home from the Canadian Imperial Bank of Commerce. Within a year almost all the money they’d borrowed had been lent out to various corporate parties in deals run by Yousefi.

But the interest payments didn't come. For months, Kats hounded Yousefi and received excuses, managing once to get a portion of a payment and that was it. Eventually, Yousefi set up a meeting with someone she said could answer all of his questions. Kats and his wife wound up in a conference room with a big man who spoke softly and introduced himself as Arie Astanni. He said he administered the mortgages, promised a written report on the status of their investments and gave them his mobile number to follow up.

Then Astanni became evasive too, so Kats began searching "Toronto mortgage fraud" online. He soon found news clippings featuring a picture of Astanni, identified by a different name: Arash Missaghi.

Missaghi, Kats would learn, was practically a legend around Toronto. Various courts, tribunals and regulators had identified him as the mastermind of more than two dozen fraudulent real estate transactions that had collectively bilked people out of tens of millions of dollars across two decades. But these bodies seemed powerless to get victims' money back, to prevent Missaghi from perpetrating more frauds or to convict him of anything, despite multiple charges in several jurisdictions. Whether before the courts or in statements to the media, Missaghi always denied wrongdoing. (A representative for Missaghi's estate didn't respond to a request for comment for this story.)





Some of the Toronto-area properties that court documents indicate have been linked to Missaghi over the years. *Photographer: Ryan Walker for Bloomberg Businessweek*

With the help of a lawyer, Kats discovered that the mortgage agreements he'd signed were never officially entered into the property register and were more or less worthless. Then he found out the companies he'd signed the agreements with were only another layer of subterfuge—Missaghi controlled them all, though he never appeared on the corporate paperwork. Missaghi had also moved Kats' money out of the companies' business accounts and beyond the reach of a court order.

Unable to keep up on the interest payments on their loan, Kats and his wife were forced to sell their house. Their equity had been effectively stolen out from under them, and their savings were disappearing fast to cover their legal fees. On the day Kats killed Missaghi and Yousefi, he left a note that said, “stop these criminals from destroying peoples lives.”

Missaghi's murder left a question in its wake: How did he operate with such impunity for so long? This account of his career seeks to answer that, drawing on hundreds of pages of criminal and civil legal filings, court documents and recordings, property and corporate records, and interviews with people who knew him, investigated him or were victimized by him over the years.

Missaghi was likely Canada's most prolific mortgage fraudster, operating during two decades when the country was home to the world's biggest real estate boom. As a wave of immigration drove home prices to new records and caused a spike in property development, a frenzy of greed and FOMO broke out among regular people, and the number of frauds reported to police nationwide more than doubled. Missaghi created an unprecedented operation to prey on the fever. And when Canadian law enforcement couldn't stop him, bloody act of vigilante justice did.

THE EARLIEST ALLEGATIONS OF FRAUD AGAINST MISSAGHI CAME AFTER HE began working for his family's business, a prosperous import-export company specializing in Persian food. In 2000 he and his father, the owner, were charged with defrauding various wholesalers out of large quantities of goods, mainly foodstuffs such as yeast and asparagus, but also computers and heavy equipment. The charges were eventually withdrawn, but that same year a US civil court found them both liable for selling counterfeit food products across the border.

Then in 2006, police arrested Missaghi for mortgage fraud. They said he was involved in a scam that saw a broker submit forged documents to secure large loans than a borrower had requested and pocket the difference. The alleged fraud had somehow been identified amid a wider police sting targeting a cargo theft ring that had swept up Missaghi's father. The cops seized tractor trailers full of stolen goods, marijuana, MDMA and cocaine across the Toronto area, as well as shipping containers full of merchandise in Jamaica.

When police arrested Missaghi, he was carrying \$82,000 in US currency in a briefcase, and they added a charge for possession of property obtained by crime. None of it stuck, and Missaghi was free to go. It turned out that the money they'd found on him had nothing to do with the fraud they'd arrested him for. Rather, after years of dabbling at its periphery, he'd gotten into the mortgage lending business himself. The \$82,000 was part of a down payment delivered to him earlier that day by a man named Curlew Moulton, according to sworn affidavits from two witnesses.

Originally from Jamaica, Moulton was a drug dealer who moved large quantities of marijuana, cocaine and ecstasy. But he also ran a legitimate business as a concert promoter, and he'd decided to purchase a suburban car

dealership to turn into a dance hall. In many ways, Moulton was typical of the kind of borrower who needs a private mortgage: a self-employed businessperson who dealt mainly in cash and thus didn't have the proof of income needed to get a bank loan.

Private mortgages aren't regulated like those from financial institutions; they're considered more like a private contract. This allows lenders to take on much riskier borrowers and charge much higher interest. Investors can make or lose a lot of money quickly under this arrangement, so it's traditionally been undertaken only by those who can afford the potential losses. The Canadian real estate market was starting to pick up after a long period of stagnation, though, making it a good time for many to get into private mortgages. And Missaghi had experience with them, having taken them out himself against some properties his father owned. He tapped the same network of wealthy people he'd used for those to get the majority of the funds Moulton needed, inserting himself as the middleman. Missaghi then kicked in money of his own for a third mortgage, which would only be paid back after the earlier loans were satisfied.

His intention was never to just sit back and collect interest payments. According to a former associate who spoke on condition of anonymity because of ongoing legal proceedings, he was pursuing a "loan to own" strategy focused on borrowers he expected to default so he could seize their property for himself. Indeed, when Moulton missed a mortgage payment shortly after closing, Missaghi did just that, citing an agreement Moulton had signed to give up ownership if he defaulted. Moulton subsequently said his signature on that document had been forged. He accused Missaghi of fraud and sued. But sorting out alleged forgeries and making retroactive changes to the corporate register takes a long time in civil court, so Missaghi effectively controlled the car dealership in the meantime.





The dealership at issue in the Moulton case, now owned by a different company. *Photographer: Ryan Walker for Bloomberg Businessweek*

By the end of the decade, he'd amassed similarly advantageous positions in properties across the region. In the case of the car dealership, he effectively won uncontested control in 2009, after Moulton was arrested for selling hero to an undercover police officer. Moulton was unable to continue his lawsuit from pretrial detention, so it was dismissed. (He was found guilty for the heroin deal, which turned out to have been set up by a former associate of Missaghi's, according to court records. Although there was never any proof Missaghi engineered it, a Toronto police officer who requested anonymity to discuss past cases says investigators believed he did.)

All of this was happening right as the Canadian property boom was about to accelerate. The US housing market had just crashed spectacularly, sparking the Great Recession. But Canadian real estate registered only a brief dip before ripping higher again, bolstering its reputation as a foolproof investment no one could do without. The resulting surge in demand for property came, though, as regulators were tightening mortgage rules to ensure that what had happened in the US wouldn't happen there. That pushed more borrowers away from banks and into unregulated private mortgages. And it encouraged

Missaghi to set his sights on a juicier target than the financially marginal people who need such mortgages: the wealthy people who offer them.

AFTER GOING THROUGH A DIVORCE IN THE LATE 1970S, TOVA MARKS NEEDED extra money to support her three kids. A mortgage broker herself, she began lending some of her savings out on the side to people buying property. Finding she was good at it, she decided to do it full time, becoming something of a private mortgage pioneer, as well as a millionaire. When Toronto's real estate market crashed in the late '80s, she lost much of her fortune, then made it right back.

After the turn of the century, when Marks was in her late 60s, she formed a kind of lending syndicate with her daughter and another wealthy friend, sharing leads and financing deals together. Missaghi started as one of Marks' borrowers, then began sending her referrals. She and Missaghi had gotten close over the years, and he'd sometimes go over to her house for dinner. But around 2011, he set in motion what the Law Society of Upper Canada (now the Law Society of Ontario), the province's regulator for lawyers, would later call "a massive fraud spree" that ultimately fleeced the Marks syndicate of at least C\$14 million.

The frauds spanned 13 properties and employed maneuvers too varied and complex to detail. They included many traditional tactics of mortgage fraud—impostors who gave tours of properties they didn't own, forgeries used to convince the Marks syndicate they'd received mortgages that turned out not to exist. One maneuver stood out for its sophistication and novelty: the manipulation of a foreclosure process called power of sale, which exists in Canadian law and the majority of US states. If a borrower defaults, a power-of-sale clause allows the lender to seize and sell the property without having to go through the courts as in a normal foreclosure. Any proceeds that remain after the senior mortgage is paid off are then used to satisfy more junior claims, with the balance turned over to the borrower after that. The idea is to allow lenders to recover their money quickly, with the courts stepping in only if there's a dispute.

Missaghi, by contrast, used power of sale to make his loan-to-own strategy faster and less risky, seizing properties and invalidating other mortgages in a way that didn't require the use of forged documents. And, at least at first



glance, it appeared to be completely legal. By using a web of shell companies and fronts, Missaghi was able to engineer transactions where he controlled every party but the target.

With the Marks syndicate, in 2011, Missaghi persuaded them to offer a second mortgage against a suburban Toronto home. Because it was a second mortgage, the syndicate would be repaid only after the first loan was satisfied. But a week later, unbeknownst to the Marks syndicate, a shell company controlled by Missaghi bought the first mortgage from its holder. The timing—and the fact that both mortgages were for almost exactly the same amount—suggests that Missaghi had used the money from the second mortgage to buy the first. It's unclear why the borrower would have turned over that money to Missaghi, but property records show that the same shell company had recently taken over and discharged one of the borrower's other debts.

With the first mortgage in hand, Missaghi invoked power of sale and offloaded the property to a different shell company that he also controlled. In the process, the first shell company reported that expenses stemming from the first mortgage had nearly doubled the size of the debt, allowing it to retain all the proceeds from the property sale. Nothing was left over to pay back the Marks syndicate's second mortgage. Missaghi had effectively taken ownership of the property—and it appears he used the Marks syndicate's money to do it.

As convoluted as his tactics were, they weren't untraceable. When the second mortgage on the suburban home came due without being paid back, Marks, her partners and a lawyer managed to piece it all together. That led them to uncover the other frauds as well, and they sued Missaghi. They soon discovered, just as Curlew Moulton had, that they were facing years of litigation to persuade a court to navigate the labyrinth of transactions. And in the meantime, Missaghi would still have the money and the real estate.

MARKS HAD ONE REMAINING RECOURSE: THE CRIMINAL JUSTICE SYSTEM. THE person she targeted first wasn't Missaghi, though—it was the attorney he'd insisted they use in all their deals, a young Iranian-Canadian woman named Golnaz Vakili.

In a real estate transaction, each party depends on their lawyer to ensure that the correct changes are made in the property register. Money only moves on

that's done. Vakili had ostensibly handled these changes on the Marks syndicate's behalf, but she was really acting on Missaghi's.

Missaghi met Vakili when she was trying to set up a solo practice fresh out of law school. He promised to throw work her way. But in one of their first transactions, she later testified, he used a forged document to trick her into releasing C\$550,000 Marks had deposited in her trust account, even though Marks had denied a verbal request to do so. Vakili said Missaghi threatened to ruin her career unless she participated in additional dubious transactions.

After Marks discovered the frauds, she confronted Vakili, who in turn told Missaghi. He said Vakili had to leave the country. Because her name was on all the paperwork, it was inevitable the police would go to her, and she was the only one who could tie him directly to the crimes. Vakili would later testify that Missaghi said he had "no problem using violence" against her and her family. On earlier occasions, he'd implied to her that he'd had people killed. She took the threat seriously enough that in March 2013 she fled Canada, leaving her husband, parents and brother behind.

Marks and her partners reported their findings to the Law Society of Upper Canada, which got the Toronto police involved. By the time a law society investigator arrived at Vakili's office, any documents that might have tied Missaghi directly to the crimes had been destroyed—by Missaghi, Vakili later said. She was stripped of her law license, and an Interpol warrant was issued for her arrest.

Missaghi, meanwhile, was free to embark on the busiest stage of his career. By then, Canada's real estate boom was entering its second decade, and a substantial portion of the public was investing in property. Toronto became home to more construction cranes than anywhere in North America as small-time investors financed a condo-building spree, buying units preconstruction with the aim of renting them out. Mom-and-pop landlords scooped up single-family homes to convert into apartments. And investing in private mortgages expanded from the province of the wealthy to regular people who didn't necessarily understand it. Missaghi's business boomed.

He borrowed more money against some of the properties he'd used in frauds against the Marks syndicate, even as Marks and her partners were fighting to

get their initial loans back. Then he found a new young lawyer to become his instrument in five more power-of-sale scams, defrauding other lenders of C\$7 million worth of mortgages. He entered a contract to rehabilitate a wood-was landfill in northern Ontario for C\$6 million, took most of the money, didn't do the work and then made impossible promises to develop it into a subdivision in order to borrow millions more against it. He also allegedly siphoned off C\$ million worth of private mortgages lent by members of an organization purporting to combine personal development training with real estate investing, some of which were later canceled out by power of sale.



More Toronto-area properties previously linked to Missaghi in court documents. *Photographer: Ryan Walker for Bloomberg Businessweek*

Missaghi's most damaging venture during this period may have been one involving a mortgage investment corporation. These vehicles were growing in popularity because they allowed regular people to pull money out of their registered retirement savings accounts, Canada's version of an individual retirement account, and pool it to make private mortgage loans. When Missaghi learned an old friend of his father's was starting one, he invited him to share office space.

The friend, Ben Katebian, would go on to raise approximately C\$11 million from more than 150 people, many of whom later admitted to having limited investment knowledge. The majority of that money went to deals tied to Missaghi and was ultimately lost. Although the Ontario Securities Commission eventually shut the operation down and found Katebian had perpetrated fraud on his investors, Missaghi was never sanctioned. He'd never been formally involved in the company, so he was outside the regulator's jurisdiction. As in the other frauds he was involved with during this period, the presence of a front between himself and the people actually losing money had effectively



shielded him from consequences in a way he hadn't been with the Marks syndicate. (Reached for comment through his lawyer, Katebian said he's appealing the Ontario Securities Commission ruling against him. He didn't respond to questions about Missaghi.)

By the end of 2016, Missaghi had brought in at least C\$30 million in cash and real estate on top of the C\$14 million the Marks syndicate accused him of stealing, if plaintiffs' and regulators' tallies are to be believed. The only one of these ventures that resulted in charges against Missaghi himself was the wood waste deal in northern Ontario. Those were withdrawn not two years later, in a deal with prosecutors that saw the shell company involved plead guilty instead and pay C\$32,500 in penalties. Missaghi was about to have a problem on his hands, though: Golnaz Vakili had come back.

VAKILI HAD BEEN LIVING IN NORTHERN CYPRUS, A DE FACTO STATE RECOGNIZED by no country except Turkey, which makes it a good place for fugitives. Missaghi and one of his associates had visited her, while another associate had stayed in constant communication. But after four years she'd had enough and contacted Toronto police, who arranged for her to return and testify. In February 2018 she pleaded guilty to two charges. A judge let her go without prison time, deciding she'd been acting on Missaghi's direction and hadn't benefitted from the crimes. In the following days, Missaghi and two alleged co-conspirators were arrested and charged with defrauding the Marks syndicate using forged documents and obstructing justice for facilitating Vakili's flight afterward. (Charges were also filed, but soon dropped, against two other alleged accomplices identified in the police investigation.)

Missaghi managed to get out on bail, but he faced substantial legal jeopardy. At a pretrial hearing, a judge noted that if the jury believed Vakili's testimony, Missaghi could face up to seven years in prison, and potentially more if the victims weren't paid back.

The accused soon embarked on a series of legal maneuvers that complicated and delayed the trial. After initially saying they would represent themselves, they said right before the trial was set to begin in October 2019 that they would retain counsel after all. Then they spent the following year and a half repeatedly telling the court they hadn't come up with enough money to fully retain their lawyers for the trial—but were almost there—creating further

confusion and delay. When the Covid-19 pandemic broke out, the judge pushed the trial back to September 2021. Then the defendants declined to reach an agreement with the prosecutor on even the most innocuous aspects of the case, such as whether Vakili had in fact been in Cyprus, which promise to make the trial longer and costlier. Then one of Missaghi's co-defendants said she needed a Farsi interpreter, after more than two years of attending court hearings in English.

As the trial date finally approached, the prosecutor expressed concern that all of these factors would "complicate this trial enormously." In July 2021 he withdrew the charges, saying the prospects for conviction had diminished to the point that it was no longer in the public interest to proceed. He mentioned the time that had passed since the alleged wrongdoing and the pressure on court resources from the Covid-19 pandemic. He also alluded to an issue around disclosure of evidence that had recently arisen, without offering specifics. (The Toronto police referred questions about why the charges were dropped to Ontario's Ministry of the Attorney General. A spokesperson there declined to elaborate on the previously stated reasons.)

The failed prosecution left a confounding legal dissonance: The judge who'd sentenced Vakili found she'd been acting on Missaghi's orders, but Missaghi wasn't found guilty in his own case. Once again, the complexity of prosecuting him had been his best defense.

AND YET, MISSAGHI REMAINED UNDER SOME DURESS. IT WAS IN THIS PERIOD, after all the notoriety brought by the Marks case, that he started using aliases – "Armand Astanni" comes up in one lawsuit, in addition to the Arie Astanni alter ego he employed with Alan Kats and Alisa Pogorelovsky. Missaghi also seems to have lowered his sights; civil suits initiated against him over alleged frauds in his last years were all filed by smaller fish, including an immigrant businessman, an artist, a real estate agent, and Pogorelovsky.



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As the money coming into Missaghi's real estate operation diminished, his expenses were growing, with more people than ever pursuing him in court. In 2019 his wife, the owner of record for many of his real estate holding companies, swore in an affidavit that all of her properties were tied up in receivership. A former lawyer of Missaghi's accused him in a lawsuit of failing to pay hundreds of thousands of dollars in legal fees. And Missaghi's wife filed a lawsuit in the US claiming that Ben Katebian, Missaghi's former business associate in the mortgage investment corporation, had defrauded her out of what were likely her most significant assets, a pair of office complexes in Michigan and Georgia. The cost of this US legal fight swallowed up a substantial portion of Missaghi's income, according to a person he spoke to about it. (That suit was dismissed with prejudice earlier this year).

And in 2022, Canada's long real estate boom came to an abrupt end as rising inflation forced interest rates up. Missaghi continued operating, if in a diminished capacity, until the afternoon last year when Kats killed him.

Months later, sitting on the back porch of a house she's renting north of Toronto, Pogorelovsky is still trying to make sense of it. She's not sure how much longer she can afford to live in this home, but she's still got pictures of her late husband on the wall. Their 7-year-old son sometimes asks when his father will return.

She spends an hour recounting everything she can remember of her dealings with Missaghi: the calm, methodical way he assured her and Kats their investments were safe the sole time they met in person; how the litigator they hired after uncovering the scam recognized Missaghi's name immediately and advised them to act fast; the police report they filed that went nowhere. Speaking of what she's lost, Pogorelovsky breaks down briefly. But she turns philosophical when asked to explain why her husband did what he did. "It's so weird that if you steal from the store, you go to jail right away, but these people stole millions," she says of Missaghi and his accomplices. "He couldn't believe we live in a country where we could be defrauded for all our money and there's no law to help us get it back."

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